

Message Text

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TAGS: EAID, EGEN, ZA

SUBJECT: U.S. ASSISTANCE TO ZAMBIA

REF: STATE 040633

1. PL 480 TITLE I FINANCING POSSIBILITIES APPEAR VERY LIMITED FOR WHEAT, RICE, AND COTTON BUT BETTER FOR EDIBLE OIL. OFFICIAL TRADE DATA FOR 1975 NOT YET PUBLISHED. HOWEVER, FOLLOWING ESTIMATE BASED ON INFORMATION OBTAINED DURING JANUARY VISIT OF REGIONAL AGRICULTURAL ATTACHE.

(A) WHEAT IMPORTS IN 1975 ESTIMATED AT 125,000 M.T. AND SIMILAR AMOUNTS PROJECTED FOR 1976 AND 1977. DUE TO LIMITED MILLING CAPACITY, GRZ FORCED TO IMPORT ABOUT 2,000 TONS OF FLOUR DURING 1975, AND FUTURE REQUIREMENTS IN EXCESS OF 125,000 TONS WILL HAVE TO BE MET THROUGH FLOUR IMPORTS. BULK OF WHEAT IMPORTS PURCHASED FROM CANADA (44 PERCENT IN 1974) AND AUSTRALIA (52 PERCENT) ON LONG-TERM CONCESSIONAL CREDITS. GRZ ALSO RELYING ON WEST GERMANS AND CANADIANS FOR TECHNICAL ASSISTANCE IN WHEAT PRODUCTION. UNDERSTAND ALSO THAT EC SUPPLIED 5,000 TONS WHEAT DURING 1975 UNDER FOOD AID CONVENTION.

(B) RICE POSSIBILITY ALSO LIMITED. GRZ IMPORTED 4,558 TONS FROM MALAWI IN 1974 AND PERHAPS 3,000 TONS IN 1975. IMPORTS FOR 1976-77 LIKELY TO CONTINUE IN 3-4,000 TON RANGE. PROVISION OF
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RICE THROUGH PL-480 WOULD ADD ADDITIONAL BURDEN ON CONGESTED

DAR PORT FACILITIES AS WELL AS ADD APPRECIABLY TO FREIGHT COSTS.

(C) COTTON IMPORTS IN 1974 AMOUNTED TO 1800 METRIC TONS. VIRTUALLY ALL COTTON LINTERS IMPORTED FROM TANZANIA WITH SMALL AMOUNTS OF COTTON WASTES FROM U.K. AND JAPAN. IMPORTS FOR 1975-77 PROBABLY IN RANGE OF 2,000 TONS.

(D) MORE PROMISING PROSPECT FOR PL-480 MIGHT BE VEGETABLE OILS. IN 1974 GRZ IMPORTED 1,293 TONS OF COTTON OIL, 1,490 TONS OF GROUND NUT OIL, 3,691 TONS OF SUNFLOWER OIL, AND 2,234 TONS OF SOYBEANS. PRINCIPAL SUPPLIERS ARE NETHERLANDS AND SOUTH AFRICA. COST OF THESE PRODUCTS IN 1974 TOTALLED \$6,218,000. IF THESE ITEMS NOT AVAILABLE UNDER PL 480, CCC EXPORT CREDITS COULD FORM ONE ELEMENT OF PACKAGE. BELIEVE ALSO THAT DRY MILK WHICH PRESENTLY IMPORTED FROM AUSTRALIA, HOLLAND, U.K. AT ANNUAL COST IN EXCESS OF \$8 MILLION SHOULD BE CONSIDERED. WOULD APPRECIATE RECEIVING INFORMATION ON AVAILABILITY AND TERMS OF PRODUCREMENT ABOVE COMMODITIES EITHER THROUGH PL 480 OR CCC.

2. OTHER BOP ASSISTANCE: THE URGENT AND CRITICAL NEED IS FOR IMMEDIATE BOP RELIEF OF ESTIMATED \$250 MILLION REPRESENTING COMMERCIAL BANK OVERDRAFTS ON LETTERS OF CREDIT AND INDENTS. MOST LIKELY SOURCE IS FOREIGN COMMERCIAL BANKS IF NEW MEDIUM TERM CREDITS CAN BE OBTAINED WITH SOME MORATORIUM ON REPAYMENTS. HOWEVER, COMMERCIAL BANKS APPEAR AWAITING LEAD OF AID DONORS BEFORE INCREASING EXPOSURE. ANY AID PACKAGE SHOULD INVOLVE SOME FORM OF IMPORT FINANCING TO COVER ESTIMATED REQUIREMENTS OF \$500 MILLION FOR REMAINDER OF 1976. PROBABLY MOST HELPFUL WOULD BE PROGRAM LOAN WHICH AMONG OTHER THINGS WOULD PERMIT PAYMENT FOR COMMODITIES ALREADY PROCURED BUT NOT PAID FOR BECAUSE OF UNAVAILABILITY OF FOREIGN EXCHANGE. WE HAVE NO WAY OF ESTIMATING WITH ANY ACCURACY HOW MUCH OF THIS AMOUNT INVOLVES IMPORTS FROM US BUT EXPECT THAT BY TIME AID PACKAGE FORMULATED POSSIBLY \$20-30 MILLION MIGHT BE INVOLVED.

3. IN PAST, BULK OF US EXPORTS TO ZAMBIA HAVE BEEN FOR MINING AND TRANSPORT EQUIPMENT. US PRODUCTS HAVE BEEN RELATIVELY LESS EFFECTED BY TIGHTER IMPORT LICENSE ALLOCATIONS IN EFFECT SINCE JAN 1975. US HAS CLOSE TO 50 PERCENT OF MARKET FOR CRANES, SCRAPERS, BULLDOZERS AND BORING EQUIPMENT. TOTAL
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1974 IMPORTS THESE COMMODITIES EXCEEDED \$14 MILLION. BELIEVE THAT WERE FINANCING MADE AVAILABLE, US COULD ACCELERATE TREND ALREADY IN PROGRESS TOWARD INCREASING US SHARE OF THIS MARKET. SIMILARLY, AVAILABILITY OF FINANCING WILL BE CRUCIAL IN GRZ PROCUREMENT OF ROAD TRANSPORT EQUIPMENT.

4. THIRD AREA WHERE US APPEARS TO BE BECOMING MORE COMPETITIVE IS IN AGRICULTURAL INPUTS. AGRICULTURAL EQUIPMENT HAS IN PAST

INVOLVED MINUTE PERCENTAGE OF TOTAL IMPORTS. SINCE CONSIDERABLE PERCENTAGE OF AGRICULTURAL EQUIPMENT IS PRESENTLY BEING SUPPLIED BY OVERSEAS AFFILIAES OF US FIRMS, POSSIBILITY EXISTS FOR SHIFTING SOURCING OF THESE COMMODITIES. IN CHEMICALS US IN 1974 HAD 57 PERCENT OF \$5 MILLION MARKET. FERTILIZER IMPORTS EXCEEDED 185,000 METRIC TONS AT A COST OF ABOUT \$25 MILLION IN 1975, UP FROM 121,000 TONS IN 1974. SOUTH AFRICA HAS BECOME ZAMBIA'S SOLE SUPPLIER OF FERTILIZER, AND WE HAVE NO INFORMATION ON CREDIT OR PAYMENT TERMS. SUGGEST THIS INFO BE SOUGHT FROM AMCONGEN JO'BURG. IMPORTS OF INSECTICIDES AND FUNGICIDES (ABOUT 20 PERCENT PRESENTLY SUPPLIED BY US) EXPECTED TO REACH \$2 MILLION IN 1976. US SHARE COULD BE SIGNIFICANTLY IMPROVED.

5. RE EX-IM, APART FROM ON-GOING SUPPLIES OF CONSUMABLES TO MINING INDUSTRY, WE HAVE HAD NO INDICATION THAT GRZ CONTEMPLATING NEW EX-IM FINANCING, BUT WE WOULD PROPOSE DISCUSS THIS AT APPROPRIATE TIME. GRZ HAS BEEN FORCED TO CURTAIL MOST FOREIGN EXCHANGE RELATED INVESTMENT PLANS. IN RECENT CASE OF GRZ INTEREST IN PURCHASE OF 420 FREUHAUF TRAILERS, EX-IM FINANCING RULED OUT BECAUSE OF INABILITY TO FUND DOWN PAYMENT. ONLY SPECIFIC PROJECT OUTSIDE MINING INDUSTRY THAT MIGHT UTILIZE EX-IM IS PROCUREMENT OF BREADING STOCK FOR DAIRY INDUSTRY. MINING INDUSTRY COULD UTILIZE EX-IM CREDITS OF MINIMUM OF \$60 MILLION DURING 1976 WERE THEY MADE AVAILABLE.

8. GRZ APPEARS ANXIOUS TO OBTAIN AID HOUSING GUARANTY PROGRAM. HOWEVER, UNLESS AID/W WILLING TO MAKE EXCEPTIONS TO NORMAL DISBURSEMENT PROCEDURES, IT IS DOUBTFUL THAT ANY MAJOR DISBURSEMENT COULD TAKE PLACE BEFORE END OF 1976. SHELTER SECTOR ANALYSIS (SSA) TEAM ARRIVED LUSAKA FEB 23. DETAILED INVESTIGATION NOW UNDERWAY ON ALL FACTORS RELATING TO US OBJECTIVES OF PROVIDING SHELTER FOR THE LOWER INCOME FAMILITES (BELOW MEDIAN INCOME) WITHIN GRZ LOW-COST HOUSING POLICY. PRELIMINARY DRAFT SSA
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EXPECTED WITHIN THREE WEEKS WILL PROVIDE BETTER PROSPECTIVE ON PROGRAM POTENTIAL.

9. AMERICAN BANKER WHO SPOKE WITH GOVERNOR KUWANI FOLLOWING VISIT TO WASHINGTON TOLD US KUWANI DISCOURAGED BY ATTITUDE OF IMF/IBRD AND HOPED USG COULD USE INFLUENCE IN SECURING MORE FAVORABLE ATTITUDE.
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